

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
)	

COMMENTS OF PUERTO RICO TELEPHONE COMPANY

The Puerto Rico Telephone Company (“PRT”) hereby submits its Comments on to the Federal Communications Commission’s (“Commission”) Notice of Proposed Rulemaking in the above referenced proceeding seeking comment on the Recommended Decision of the Federal-State Joint Board on Universal Service (“Joint Board”).¹ The Joint Board has made a number of recommendations regarding the distribution of universal service support, including requirements for eligible telecommunications carrier status and restructuring of support to primary lines. PRT urges that whatever steps the Commission takes in response to the Joint Board’s recommendations neither delay nor constrain the provision of high-cost support to non-rural, insular areas, as required by Section 254(b)(3).²

One of the greatest shortcomings of the existing high-cost universal service program is the failure to provide sufficient support to non-rural insular areas. Such insular-specific high-

¹ *Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking, CC Docket No. 96-45 (rel. June 8, 2004); *Federal-State Joint Board On Universal Service*, Recommended Decision, FCC 04J-1 (rel. Feb. 27, 2004).

² Section 254(b)(3) requires the Commission to address the unique needs of insular areas, providing that consumers “in rural, insular, and high cost areas, should have access to telecommunications and information services . . . at rates reasonably comparable to rates charged for similar services in urban areas.”

cost support is critical to achieving the core objectives of Section 254, as PRT has demonstrated in numerous filings with the Commission.

In Puerto Rico, which is treated as a non-rural area and thus not eligible for high-cost support under the rural mechanism, the wireline telephone penetration rate of approximately 70 percent is far below the national average. Moreover, in many rural areas of Puerto Rico (much of the island other than the three major cities), the penetration rate is closer to 50 percent. This extremely low subscribership level results from a lack of facilities to serve certain areas (stemming from the unusually high costs associated with providing service on the island because of its terrain as well as its insular status), the size and highly dispersed population of the rural area, and the low average income in Puerto Rico.³

Economic development of these areas depends on continued infrastructure investment by PRT, which will be exceedingly difficult in the absence of sufficient universal service support. For that reason, PRT has urged the Commission to adopt an insular support mechanism that provides support based on actual costs rather than forward-looking costs. Such a mechanism would restore some of the high-cost support that PRT received prior to reform of the non-rural high-cost support mechanism, without placing an appreciable burden on the universal service fund.⁴

The issues raised by the Joint Board's recommendations could result in fundamental changes to the high-cost mechanism and could take years to implement. Insular funding is a

³ Fifty-five percent of Puerto Rico's population lives below the poverty line, and the \$8,000 per capita income is approximately one-half that of Mississippi, the U.S. state with the lowest per-capita income. *See* Ex Parte of Puerto Rico Telephone Company, Inc., CC Docket Nos. 00-256, 96-45, 98-77, and 98-166, at 4 (filed Feb. 28, 2003).

⁴ In the three years following implementation of the non-rural high-cost support model, PRT's support dropped from \$50 million per year to zero. *Id.* at 6. Adopting PRT's proposed insular funding mechanism would restore between \$30 and \$40 million in funding – well less than one percent of the total annual universal service outlay.

critical issue that has been pending at the Commission for seven years. The time has come to address the urgent needs of insular areas; action on the Joint Board's recommendations must not be allowed to delay or diminish insular relief.

Respectfully submitted,

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